

## Message Text

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PAGE 01 STATE 020109

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TO TREASURY

C O N F I D E N T I A L STATE 020109

EXDIS

FOLLOWING REPEAT LONDON 825 ACTION SECSTATE 17 JANUARY.

QUOTE

C O N F I D E N T I A L LONDON 00825

EXDIS

E.O. 11652: XGDS-1

TAGS: PFOR, UK

SUBJECT: TOPICS CALLAGHAN WISHES TO RAISE WITH THE  
SECRETARY JANUARY 30; AND RELATED ISSUES

1. DURING CALL JANUARY 16 TO DISCUSS HIS AFRICAN TRIP  
(REPORTED SEPTTEL) FOREIGN SECRETARY CALLAGHAN OUTLINED  
TOPICS HE HAD IN MIND FOR HIS MEETING WITH THE SECRETARY  
ON JANUARY 30.

2. CALLAGHAN SAID THAT HE AND THE PRIME MINISTER LOOKED  
FORWARD VERY MUCH TO THEIR VISIT TO WASHINGTON. IN HIS  
MEETING WITH THE SECRETARY, CALLAGHAN WOULD LIKE TO DIS-  
CUSS THE FOLLOWING SUBJECTS; (A) MIDDLE EAST. (B) CYPRUS.  
(C) RE-CYCLING OF PETRODOLLARS. IN LIGHT OF RECENT IMF  
DISCUSSIONS, CALLAGHAN DID NOT THINK THAT THERE WOULD BE  
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PAGE 02 STATE 020109

A GREAT DEAL TO SAY ON THIS SUBJECT. (D) EC-ARAB DIALOGUE

(E) CSCE. CALLAGHAN THOUGHT IT WOULD BE IMPORTANT TO RUN OVER THIS NEGOTIATION WITH THE SECRETARY IN LIGHT OF WILSON'S PROSPECTIVE VISIT TO MOSCOW. CALLAGHAN SAID THE BRITISH DO NOT WANT TO BE "BEHIND THE PACK" ON THIS SUBJECT, NOR DO THEY WANT TO BE IN FRONT. HE LOOKS FORWARD TO THE SECRETARY'S VIEWS ON CSCE. (F) PLANS FOR CONSUMER-PRODUCER CONFERENCE ON OIL.

3. I ASKED WHETHER THERE WERE ANY NEW UK IDEAS ON SUBJECT OF OIL PRICES, INCLUDING INDEXATION. HE SAID THAT HE HAD NOT FORMED MORE THAN SOME TENTATIVE PERSONAL VIEWS ON THIS QUESTION, AND WOULD WANT TO TALK TO CHANCELLOR HEALEY IN LIGHT OF CURRENT IMF MEETINGS. SPEAKING PERSONALLY, HE FELT INDEXATION MIGHT BE A GOOD IDEA, PROVIDED IT WAS BASED ON A LOWER LEVEL OF PRICES THAN THE CURRENT ONE. IT WAS REASONABLE TO SEE WHAT ONE COULD DO ON THIS MATTER. HE INQUIRED WHETHER THERE WAS AN OFFICIAL US POSITION ON INDEXATION, AND I SAID I WAS UNAWARE OF ANYTHING OTHER THAN RECENT PRESS REPORTS THAT QUOTED SECRETARY'S WILLINGNESS TO CONSIDER THIS IF OIL PRICES WERE LOWERED. CALLAGHAN CONTINUED THAT THE WESTERN CONSUMING COUNTRIES COULD GET ON BETTER TERMS WITH THE ARABS IF WE WERE ABLE TO MEET THEM IN SOME REASONABLE WAY ON INDEXATION.

4. CALLAGHAN THEN TURNED TO THE SOVIET GOVERNMENT'S DECISION NOT TO CARRY OUT THE 1972 TRADE AGREEMENT. HE SAID THAT HE HAD TOLD THE CABINET THAT MORNING THAT HE THOUGHT THE SOVIET ACTION WAS AN ISOLATED DECISION CENTERED ON TRADE AND WAS NOT IN ITSELF A BASIC THREAT TO DETENTE. HE THOUGHT THERE WAS A BODY OF OPINION IN THE KREMLIN WHICH WAS BASICALLY HOSTILE TO DETENTE AND WHICH HAD BEEN ABLE TO ASSERT ITSELF ON THIS ISSUE ON THE GROUNDS THAT THE SOVIET UNION WAS BEING PUSHED TOO HARD. ALTHOUGH HE DID NOT THINK THAT DETENTE IN GENERAL WAS THREATENED, HE SAID THAT THE SOVIET ACTION BRINGS ONE UP SHARPLY WHEN YOU CONTEMPLATE THE CONSEQUENCES OF A REVERSAL OF THE DETENTE POLICY. HE CONCLUDED BY OBSERVING THAT DETENTE IS FRAGILE.

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PAGE 03 STATE 020109

5. CALLAGHAN MENTIONED THE BRITISH DECISION TO RELEASE THE TURKISH CYPRIOTS IN THE ESTERN SBA IN CYPRUS. HE AGREED THAT MAKARIOS' REACTION TO THE BRITISH DECISION HAD BEEN TEMPERATE, BUT OBSERVED THAT WITH MAKARIOS ONE COULD NOT BE SURE THAT HE WOULD NOT REACT STRONGLY AT A LATER DATE. CALLAGHAN SAID, "I WAS CAREFUL TO PUT THE DECISION ON A HUMANITARIAN, NOT A POLITICAL BASIS." HE THOUGH THAT A RECIPROCAL GESTURE FROM THE

TURKS WAS DOUBTFUL, COMMENTING THAT THEY REALLY DON'T CARE ABOUT THE REFUGEES WHO ARE TO THEM JUST PAWNS ON THE CHESSBOARD. THE TURKS WOULD ONLY MAKE A GESTURE WHEN THEY THOUGHT IT WORTHWHILE FOR THEIR OWN PURPOSES, E.G., TO IMPRESS THE US CONGRESS. CALLAGHAN SEEMED TO BE MODESTLY HOPEFUL THAT THE BRITISH DECISION COULD "SHAKE SOMETHING LOOSE." SPIERS UNQUOTE KISSINGER

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